

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1448 - SB 1677

January 26, 2014

SUMMARY OF BILL: Defines the capitalization rate for greenbelt property to be the average lending rate for agricultural land as determined by the state Board of Equalization beginning January 1, 2015.

ESTIMATED FISCAL IMPACT:

Increase Local Revenue – Exceeds \$100,000/FY15-16

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-5-1008 (c)(2)(C), the capitalization rate is currently determined by dividing total farm real estate interest expense by total farm real estate debt as published for Tennessee by the Tennessee Agricultural Statistics Service, or its successor, for the most recent year available.
- According to information provided by the Comptroller of the Treasury (COT), in recent years the use value capitalization rate currently used has remained at artificially high levels due to a lack of a more recent data source. Utilizing the new rate beginning in 2015 will use current rather than historic farm interest rates, which will yield a higher value when used in the use value formula and using higher values will translate to higher property tax revenues, when holding all other factors constant.
- COT estimates the provisions of this legislation will result in an increase in local government revenue exceeding \$100,000 in FY15-16 as a result of increased property tax revenues.
- Based on information provided by COT, the rate of increase as a result of the new capitalization rate may be offset somewhat by the existing cap on use value increases pursuant to Tenn. Code Ann. § 67-5-1008 (c)(1).
- Pursuant to Tenn. Code Ann. § 67-5-1008 (c)(1), the rate of increase in per acre present use values shall not exceed a factor measured by the number of years since the last general reappraisal or updating of values in the county times six percent.
- According to COT, the Division of Property Assessments will conduct further study of the precise interplay between the possibly higher values and the value increase cap. Any cost can be accommodated within existing resources without an increased appropriation or reduced reversion.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/jrh